



Confederation of Danish Industry

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Confederation of Norwegian Enterprise



## Nordic position on the European Climate Law

The Nordic business federations from Denmark, Finland, Norway and Sweden are committed to climate neutral Europe by 2050. Nordic business strongly believe that Europe should continue to have a leading role in combatting climate change, also providing solutions beyond Europe. The European Green Deal will be a key vehicle to deliver on these ambitions, while also supporting strong, competitive and sustainable EU industrial value chains.

Nordic business welcomes the European Climate Law as an important instrument to deliver on EU's ambitious climate agenda. However, in the recovery of the Covid-19 crisis Europe must do two things at once. Europe needs to reboot its economies and create jobs, while at the same time laying the foundation to deliver on our climate goals.

The proposed recovery plan for Europe, NextGenerationEU, may prove to be just what the Green Deal needs to accelerate the economic transition towards decarbonization and reboot our economy after a devastating economic downturn. Thus, both the Climate Law and the EU recovery plan are strongly interdependent.

While politicians set the course and define the climate ambitions, it will in large part be up to business and industry to deliver the technology, solutions, products, and innovations needed to reboot our economies, while also making European Green Deal a success. This will require framework conditions conducive for business to scale up their part in Europe's green recovery.

To that end, the European efforts to combat climate change should be based on ambitious and market-based climate policies, allowing the EU to:

1. Deliver on its commitments to the Paris agreement.
2. Pave the way for a competitive Europe with an ambitious and cost-effective 2030-target aiming at net-zero emissions by 2050.
3. Stimulate the possibility for European companies to provide climate solutions globally.

### **The European Climate Law**

The European Climate Law will be vital in creating a framework to deliver on Europe's climate ambitions. Enshrining EU's climate target 2050 in a binding climate law will provide predictability and give investment security for European business. This in turn will leverage private investments in Europe's green transition. A well-functioning coherent regulatory framework based on investment friendly instruments which takes into account international competition is equally important for the EU to deliver on its climate ambition.

### Nordic business recommendations

- Nordic business supports the ambition of making the EU climate neutrality (net-zero) in 2050 legally binding by means of the European Climate Law. Nordic business further supports the ongoing analytical preparations to increase EU's 2030 climate targets. A decision to updating the current 2030 target in line with the ambitions announced in the Green Deal should be based on this thorough impact assessment and should be taken well before COP26 in 2021. For now, it is paramount to further assess, including COVID-19 impacts, possible trajectories towards 2050 with a view to have the strongest possible foundation to showcase and strengthen EU's leadership in implementing the Paris agreement.



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- Nordic business supports monitoring progress collectively in the EU as well as in each Member State (National Climate Plans). A stocktaking exercise every five years, which also includes international development, should be introduced, in line with the process under the Paris agreement. To this end, the EU should take into account the guidance from the IPCC, as should all parties to the Paris agreement. When setting climate targets, it needs to be a political decision-making process, instead of delegated acts proposed by the Commission.
- The monitoring of Member State progress should be aligned with the EU Energy Union governance regulation, including the National Climate Plans. This should however not undermine the overarching ambition of reaching EU climate neutrality collectively. Flexibility is needed to ensure the most cost-efficient path to climate neutrality. That said, EU climate neutrality will require significant efforts from all Member States. Free riding is not acceptable and cost-efficient potentials have to be released – but different national circumstances must be recognized and taken into account.
- The EU-Commission should in cooperation with relevant sectors present guiding sector roadmaps for all relevant sectors to guide EU's further efforts to become climate-neutral in 2050. Sectoral roadmaps must be supplemented by “no-regret” horizontal initiatives such as circular economy initiatives, energy efficiency, sector integration, carbon neutral energy in heating and electrification, Offshore-strategy, Power-to-Gas, CCS/CCU. Many of those already identified in the European Green Deal. Sectors will only be able to succeed with cross-sectorial cooperation.
- Progress and follow up onwards to 2050 will bridge economic conjectures and technology leaps. While many solutions are already known, some need to be taken through innovation and maturing cycles. Therefore, the “monitoring and progress process” should however allow for some flexibility to make room for unforeseen economic, technological etc. circumstances.
- It is further important to include cost-efficiency, competitiveness, investor security considerations in the “monitoring and progress” model. Too frequent changes in regulation can impact company's investment strategies both positively and negatively, and in worst case make companies hesitant to make desired investments in capital-intensive projects. For some industrial sectors adequate carbon leakage measures will be of pivotal importance. In fact, EU climate change leadership will only inspire internationally if we manage to reduce EU's emissions and create a successful and growing modernized competitive industrial base in Europe with sustainable value chains. Circular business models, efficient use of resource and competitive carbon-neutral energy will play very important roles – assisted by a well-functioning internal market in the EU.
- Nordic business urges the EU to follow a global outlook when designing and implementing the European Green Deal. Specifically, the European climate law proposal should address article 6 in the Paris-agreement, the so-called cooperative mechanisms such as linking emissions-trading schemes or trade of climate credits through specific projects. Also, the EU must support international cooperation such as climate accords for international aviation (ICAO) and maritime transportation (IMO) etc. This global dimension would bring cost-effectiveness to climate action and accelerate the global deployment of European climate solutions. And it would allow the EU and the European business community to engage in international corporations. Key to this will be to ensure full environmental integrity for specific projects.